

## Message Text

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ACTION COME-00

INFO OCT-01 EA-10 ISO-00 EB-08 CIAE-00 INR-07 NSAE-00  
OMB-01 TRSE-00 AID-05 IGA-02 OPIC-03 L-03 /040 W  
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R 140757Z SEP 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 1109

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DEPT PASS TO USDOC

E.O.11652: N/A  
TAGS: ETEL, JA  
SUBJECT: JAPANESE GOVERNMENT APPROVES TIME SHARING SERVICE APPLICATION OF ONE U.S. FIRM; SECOND APPLICATION UNDER ACTIVE INVESTIGATION

REF: (A) STATE 216250 (B) STATE 129035 (C) TOKYO 10375

1. SUMMARY. JAPANESE GOVERNMENT APPROVED ON SEPTEMBER 5 APPLICATION BY DATA SERVICE FAR EAST, WHOLLY-OWNED U.S. SUBSIDIARY OF CONTROL DATA CORPORATION (CDC), TO BEGIN TIME SHARING SERVICES OPERATIONS IN JAPAN. ANOTHER FIRM KOKUSAI TYMSHARE, 45 PCT U.S. OWNED JOINT VENTURE WHICH HAS TIME SHARING APPLICATION PENDING, GUARDEDLY OPTIMISTIC THAT IT WILL ALSO RECEIVE PERMISSION AFTER COMPLETION OF INVESTIGATION OF ITS COMPUTER CENTER BY JAPANESE AUTHORITIES SCHEDULED FOR THIS MONTH. END SUMMARY.

2. DEPARTMENT'S INFORMATION (REFTEL A) CONCERNING JAPANESE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT) APPROVAL OF CDC'S APPLICATION TO BEGIN TIME SHARING SERVICE OPERATIONS BETWEEN JAPAN AND U.S. IS CORRECT. MPT APPROVED ON SEPTEMBER 5 TIME SHARING SERVICE OPER-

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ATIONS BY DATA SERVICE FAR EAST, A WHOLLY OWNED CDC SUBSIDIARY. MPT DECISION NOW CLEARS WAY FOR DATA SERVICE FAR EAST TO USE INTERNATIONAL DESIGNATED LINES LEASED BY KDD (JAPANESE INTERNATIONAL COMMON CARRIER) AND DOMESTIC PUBLIC COMMUNICATION LINES LEASED BY NTT (JAPANESE DOMESTIC COMMON CARRIER).

3. DATA SERVICE FAR EAST NOW PLANS TO INSTITUTE TIME SHARING SERVICE OPERATIONS OF ITS TWO SYSTEMS, CALL/370 (MANAGEMENT TIME SHARING) AND CALL/PLUS (REMOTE BATCH BUSINESS APPLICATIONS). BOTH APPLICATIONS HAVE BEEN PENDING SINCE JAPANESE GOVERNMENT LIBERALIZED FOREIGN INVESTMENT IN COMPUTER SOFTWARE SERVICES FIELD IN APRIL 1976.

4. AS REQUESTED REFTEL A, EMBOFF VISITED MPT (MR. FUTOSHI SHIRAI, COUNSELLOR OF TELECOMMUNICATIONS) ON SEPTEMBER 12 TO EXPRESS DEPARTMENT'S PLEASURE WITH APPROVAL OF CDC APPLICATIONS, AND ALSO TO RAISE QUESTION OF STATUS OF TYMSHARE'S APPLICATION. KOKUSAI TYMSHARE, U.S.-JAPAN JOINT VENTURE BETWEEN MARUBENI (55PCT) AND TYMSHARE (45PCT) HAS ALSO APPLIED TO MPT FOR PERMISSION TO OPERATE TIME SHARING SERVICES IN JAPAN SIMILAR TO THOSE NOW APPROVED FOR DATA SERVICE FAR EAST. TYMSHARE INFORMS EMBASSY THAT KDD WILL SEND THREE TEAMS TO U.S. THIS MONTH TO INSPECT TYMSHARE'S COMPUTER CENTER IN CUPERTINO, CALIFORNIA. KDD TEAMS SCHEDULED TO VISIT ITT IN NEW YORK SEPTEMBER 15 AND 16, AND THEN MOVE TO CUPERTINO, ACCCOMPANIED BY ITT REPRESENTATIVES, ON OR ABOUT SEPTEMBER 19. KDD INVESTIGATION WILL REPORTEDLY FOCUS ON QUESTION OF MESSAGE SWITCHING WHICH HAS BEEN AT HEART OF NEGOTIATIONS BETWEEN KOKUSAI TYMSHARE LIMITED OFFICIAL USE

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AND KDD/MPT. TYMSHARE'S POSITION IS THAT NO MESSAGE SWITCHING WILL TAKE PLACE IN COURSE OF CUPERTINO COMPUTER OPERATIONS SINCE COMPUTER WILL BE COMPLETELY SEPARATED FROM TYMNET COMMUNICATIONS NETWORK. TYMNET IS WHILLY OWNED SUBSIDIARY OF TYMSHARE WHICH IS ENGAGED IN COMMON CARRIER BUSINESS WITHIN U.S. KDD INVESTIGATORS WILL BE LOOKING AT TYMSHARE CUPERTINO COMPUTER CENTER TO ASSURE THEMSELVES THAT THIS IS, IN FACT, THE CASE AND THAT NO MESSAGE SWITCHING, WHICH IS CONTRARY TO JAPANESE LAW, CAN TAKE PLACE. DURING EMBASSY-MPT MEETING ON SEPTEMBER 12, COUNSELLOR SHIRAI REFERRED, WITHOUT ELABORATING, TO EARLIER CASES IN ENGLAND AND FRANCE IN WHICH TYMSHARE TIME SHARING OPERATIONS INVOLVED COMPUTER LINKAGES TO NATIONAL COMMUNICATIONS NETWORKS. THESE EARLIER CASES EVIDENTLY BASIS FOR AT LEAST SOME OF KDD'S CONCERN THAT TYMSHARE OPERATIONS IN CUPERTINO MIGHT INVOLVE MESSAGE SWITCHING.

5. IF KDD IS SATISFIED, AFTER ITS INVESTIGATION AT CUPERTINO, THAT NO MESSAGE SWITCHING WILL TAKE PLACE, MPT BELIEVES THAT MOST, IF NOT ALL, OF KDD'S

RESERVATIONS WILL HAVE BEEN SATISFIED, AND THAT KDD WILL REQUEST MPT TO APPROVE TYMSHARE APPLICATION. IN RESPONSE TO EMBOFF'S QUESTION AS TO ROLE OF NTT AT THIS POINT, SHIRAI EXPLAINED THAT ACCORDING TO JAPANESE LAW, NTT AS WELL AS KDD MUST SUBMIT REQUEST TO MPT FOR APPROVAL OF TYMSHARE APPLICATION. HE STATED THAT NTT DECISION WILL BE REACHED INDEPENDENTLY, AND THAT NTT REQUEST TO MPT WOULD NOT AUTOMATICALLY FOLLOW KDD REQUEST. WHILE POTENTIAL FOR FURTHER DELAY THUS EXISTS FROM NTT EVEN AFTER KDD REQUEST TO MPT, MPT DID NOT SUGGEST THAT ANY SUCH DELAY IS ANTICIPATED. MPT DID INDICATE THAT MPT APPROVAL COULD BE EXPECTED QUICKLY ONCE KDD AND NTT REQUESTS WERE RECEIVED. LOCAL TRADE PRESS ARTICLES HAS LIMITED OFFICIAL USE

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SPECULATED THAT KDD REQUEST FOR APPROVAL OF TYMSHARE APPLICATION MAY BE SUBMITTED BY END OF MONTH. KOKUSAI TYMSHARE OFFICE IS GUARDEDLY OPTIMISTIC THAT KDD INVESTIGATION OF CUPERTINO COMPUTER CENTER PRESAGES APPROVAL FOR TIME SHARING SERVICES APPROVAL.

6. KOKUSAI TYMSHARE REP ALSO MENTIONED TO EMBASSY A LETTER WHICH U.S. TYMSHARE OFFICIAL IS SUPPOSED TO HAVE DELIVERED TO STATE DEPARTMENT ON SEPTEMBER 2. CONTENTS OF LETTER NOT FULLY KNOWN BY LOCAL TYMSHARE OFFICE, BUT LETTER REPORTEDLY DISCUSSES JAPANESE GOVERNMENT'S DELAY IN APPROVING TIME SHARING OPERATIONS FOR KOKUSAI TYMSHARE. LOCAL TYMSHARE OFFICE HOPES THAT LETTER WILL BE BROUGHT TO ATTENTION OF MTN NEGOTIATORS.

7. RE REFTEL A, PARA 2, EMBASSY DID NOT PRESENT NOTE TO JAPANESE FOREIGN MINISTRY ON BEHALF OF CDC AND TYMSHARE. EMBASSY DEMARCHE WAS ORAL AND IS REPORTED IN REFTEL C. EMBASSY ACTION OFFICER IN THIS AREA CURRENTLY RODNEY HUFF UNTIL MALOTT REPLACEMENT ARRIVES AT POST.  
MANSFIELD

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## Message Attributes

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